

ON MOTION OF \_\_\_\_\_, duly seconded by \_\_\_\_\_, the following Resolution was unanimously adopted:

WHEREAS, catastrophic natural disasters have and will occur between August 22, 2005 and November 30, 2005, which have impacted, and will continue to impact, the oil and gas industry in the State of Louisiana, and more particularly with respect to State mineral leases and the ability of State mineral lessees to maintain their mineral leases in light of massive damage to infrastructure— damaged and lost facilities (rigs, tank batteries, compressors, platforms, etc.) requiring repair or replacement, unavailability of required equipment due to shortage or loss, damage to or loss of gathering lines, sales lines and other pipeline infrastructure as well as collection and sales facilities— and severe economic constraints resulting from said catastrophic natural disasters, and

WHEREAS, there are “force majeure” clauses in some, though not all, State mineral leases which may, particularly in light of the “force majeure” policy adopted by the State Mineral Board at its August 10, 2005 State Mineral Board meeting, help to preserve those leases affected by such catastrophic natural disasters, nevertheless, lessee activity prior to the resulting effect of the catastrophic natural disaster which serves to prevent said lessee from meeting the obligations necessary under the lease terms to maintain his lease may not fall within the purview of the language of said force majeure clause, or the lease affected may not contain a force majeure clause at all, or, if the force majeure clause is present in the lease and would otherwise provide relief to the lessee, the lessee may be unduly economically burdened in meeting obligations necessary to maintain his lease under the force majeure provisions, and

WHEREAS, it is the stated purpose of the State Mineral Board to promote oil and gas development and production in the State of Louisiana, and particularly, in furtherance thereof, to render assistance to State mineral lessees— who are otherwise diligent in their efforts to explore for, develop and produce hydrocarbons from State mineral leases, to timely pay leasehold payments or royalties in full and to cooperate fully with the Office of Mineral Resources, as staff of the State Mineral Board, in carrying out the duties and obligations incurred as a result of mineral lease ownership which arise in the course of administering those State mineral leases ( which together signify a lessee “in good standing”)— in maintaining their leases in full force and effect with respect to the severe damages caused by such catastrophic natural disasters and the resulting disruption of the said lessees’ ability to physically, economically and timely meet critical deadlines necessary for the preservation of those said leases, and

WHEREAS, actions which the State Mineral Board would desire to take in order to assist State mineral lessees in good standing to maintain their respective mineral leases affected by catastrophic natural disasters— which would normally be in the form of a lease amendment requiring advertising of same and formal approval following advertisement at a State Mineral Board meeting— may not be timely in that the lease might terminate according to its terms prior to the State Mineral Board meeting, following advertisement, at which the lease amendment would be approved, and

WHEREAS, the State Mineral Board desires, as a matter of policy, to provide a means by

which State mineral leases affected by catastrophic natural disasters which occur between August 22, 2005 and November 30, 2005, and which are in danger of termination due to the effects of said natural disasters and the lessee's resultant inability, either physically, materially or economically to carry out those obligations which would maintain the lease, and further, which cannot otherwise be maintained under existing lease terms or adopted force majeure policy, either because of inability to perform or undue economical hardship, may be amended by means effectuated in a more timely manner.

NOW THEREFORE, BE IT RESOLVED that the State Mineral Board does herein promulgate the following policy which shall remain in force and effect through November 30, 2005; which policy shall be as follows:

- 1) This Resolution, prior to its adoption at the October 12, 2005 State Mineral Board meeting, shall have been legally advertised— as to all of the purposes, conditions, obligations, authority and terms contained herein— as a lease amendment which shall apply to all State mineral leases which the staff of the Office of Mineral Resources deems : a) to have been affected, directly or indirectly, by a catastrophic natural disaster (such as Hurricane Katrina) which occurs between August 22, 2005 and November 30, 2005, and b) in danger of termination due to the lessee's inability, because of the effects of the catastrophic natural disaster, to maintain his lease beyond a critical date because he is either unable to perform under the lease terms or the force majeure policy previously adopted by this Board, or undue economic hardship which will result from performance under the lease terms or the force majeure policy previously adopted by this Board.
- 2) The staff of the Office of Mineral Resources is herein authorized and granted the right to meet with lessees of State mineral leases which fall within the criteria set forth in (1) above for purposes of ascertaining any and all information surrounding the effects of the catastrophic natural disaster on said leases, the specific nature of the inability of lessee to perform under the terms of the lease, the applicability of any force majeure language in the lease, applicability of the force majeure policy adopted by the State Mineral Board, the activity of lessee immediately prior to the occurrence of the catastrophic natural disaster together with the imminence with which that activity may have maintained the lease under its terms but for the catastrophic natural disaster, the terms of the lease which might allow lease maintenance by a leasehold payment of some nature, the scope of any undue economic hardship which might be incurred by lessee on paying said leasehold payment vis-a-vis utilizing those funds to make necessary repairs such that activity occurring immediately prior to the occurrence of the catastrophic natural disaster which normally would have maintained the lease could resume within a reasonable time, economic factors pertaining to availability of necessary equipment and facilities vis-a-vis utilization of said equipment and facilities and all other such factors affecting lessee's ability to perform in order to maintain his lease.
- 3) The staff of the Office of Mineral Resources is herein authorized and granted the right to, in its sole discretion, amend, by letter agreement signed by the Assistant Secretary of the Office of Mineral Resources and all applicable lessees, those affected leases which either: a) contain a force majeure clause which is not activated under the language of the said clause, or b) contain no force majeure clause and for which a force majeure clause is to be added, or c) the force majeure policy adopted by the Board on August 12, 2005, together with the new force majeure clause concomitantly adopted, and which could be

added by a letter agreement lease amendment, requiring a leasehold payment, where possible, to maintain the lease rather than the force majeure suspensive effect would create an undue economic hardship on lessee when added to the cost of repairs to equipment or facilities which were part of ongoing lease activity immediately prior to the catastrophic natural disaster, the imminent occurrence of which would have otherwise preserved the lease, or d) the most economical use of equipment of limited availability which best serves the interest of the State— the use of which said equipment would otherwise, but for the occurrence of the catastrophic natural disaster, have maintained the lease over a critical date— does not warrant the immediate use of said equipment following the natural disaster on that lease, or e) other situations or circumstances of a nature similar to those depicted in (a) through (d) herein which were caused by a catastrophic natural disaster occurring between August 22, 2005 and November 30, 2005 and require lease amendment to maintain said lease.

- 4) This authority granted to the staff of the Office of Mineral Resources to amend State mineral leases by letter agreement as set forth hereinabove shall be limited to catastrophic natural disasters which occur between August 22, 2005 through November 30, 2005, with said staff having no authority to amend leases for catastrophic natural disasters beyond that date.
- 5) No further advertisement of the letter agreement lease amendments shall be necessary and they shall be effective upon the date signed by the Assistant Secretary of the Office of Mineral Resources. The lease amendments thereafter shall be public record.

Examples of the types of situations requiring lease amendment, other than for leases without a force majeure clause, are as follows:

**[Example 1.** Drilling rig on way to drill site which would timely maintain lease by drilling operations prior to a critical date, diverted by a catastrophic natural disaster to port and then damaged requiring extensive repair. Lease could be maintained by costly rental payment, but money might better be spent on repair to rig and resume drilling operations. Doesn't fit normal force majeure clause because not in process of ongoing drilling or production at time of occurrence of catastrophic natural disaster. Letter lease amendment could extend anniversary date allowing rig to be repaired and towed to site to begin drilling well.]

**[Example 2.** Smaller rig begins drilling well to depth capable then moves off site awaiting larger rig moving on site within ninety day non-activity window to finish well and complete same, but catastrophic natural disaster destroys collection and sale facility and infrastructure to which completed well would have flowed. Same company has other drill sites to which larger rig could be diverted to keep it operating and under contract until collection and sale site and infrastructure are repaired rather than send it to first site, complete well and have no way of producing said well. Letter lease amendment could be used to apply force majeure suspension contingent upon heavy rig going to first site as soon as possible after repairs to collection and sales site and infrastructure repaired which would be best economical interest to State and lessee.]